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SOURCE Magyar Kozlony.

HUNGARIAN DECREE DEFINES ORGANIZATION, OPERATION OF TRUSTS

Decree No 122/1951 (VI. 17) of the Hungarian Council of Ministers defines the organization and operation of trusts and enterprises affiliated with trusts. The text of the decree follows.

I. ORGANIZATION OF TRUSTS

Paragraph 1

1. The trust is an economic organization designed to direct large state enterprises centrally.
2. The trust is a juristic person: it may acquire rights, assume obligations, and be a party to a lawsuit.
3. The state is responsible for the obligations of the trust as simple guarantor.

Paragraph 2

The trust operates under the supervision of either a minister or the local council.

Paragraph 3

1. The head of the trust is the administrator. The administrator manages the trust and represents it in relations with third persons, in the courts, and before other authorities.
2. The administrator is personally responsible for the operation of the trust and its affiliated enterprises.

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Paragraph 4

The chief engineer is jointly responsible with the administrator for the technical management of the trust and its affiliated enterprises.

Paragraph 5

1. The chief accountant is jointly responsible with the administrator for the record keeping, the financial management, and related control activities of the trust and its affiliated enterprises.

2. The chief accountant of the trust exercises the rights and bears the responsibilities of the chief accountant of a ministerial division toward the affiliated enterprises of the trust and has the rights and responsibilities of the chief accountant of an enterprise toward the immediate supervisory agency.

Paragraph 6

The responsibilities of the trust administrator, chief engineer, and chief accountant, respectively, do not affect the responsibilities of the managers, chief engineers, and chief accountants, respectively, of the affiliated enterprises.

Paragraph 7

The administrator, chief engineer, and chief accountant of a trust operating under the jurisdiction of a ministry are appointed and relieved by the respective minister. The administrator, chief engineer, and chief accountant of a trust operating under the jurisdiction of a local council are appointed and relieved by the agency which exercises immediate supervision over the local council. For trusts operating under the jurisdiction of a county council or of the Budapest City Council, this authority may be delegated by the respective minister to the executive committee of the council in question.

Paragraph 8

1. The workers of trusts are employed, within the approved table of organization, by the administrator.

2. From the viewpoint of criminal law, the workers are considered public officials; in regard to labor relations, they come under the labor laws for enterprise workers.

Paragraph 9

1. The signatures of the administrator and of workers to whom power of attorney is granted by the administrator are binding on the trust.

2. The signature of the administrator is binding on the trust. Otherwise, the validity of a document requires the signatures of two persons having power of attorney.

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Paragraph 10

1. The organization of a trust operating under the jurisdiction of a ministry, the merger of such a trust with another trust, or its dissolution will be effected by decree of the Economic Council.
2. The organization of a trust operating under the jurisdiction of a local council, the merger of such a trust with another trust, or its dissolution will be effected by resolution of the county council or the Budapest City Council with the concurrence of the respective minister.
3. Unless the merger order provides otherwise, the rights and obligations of the merging trusts are transferred to the newly organized trust.
4. In the order dissolving a trust, the supervisory agency designates the agency to which the rights and obligations of the dissolved trust are transferred.

II. ENTERPRISES AFFILIATED WITH TRUSTS

Paragraph 11

1. Besides enterprises which perform the basic operations of a trust, enterprises may be affiliated with a trust which supplement or assist its basic operations, e.g., auxiliary workshops, transportation installations, etc. As an exception, tasks which are not included among the basic operations of the trust may be delegated to units with independent accounting, without the organization of a separate enterprise.

2. Decree No 32 of 1950 on state enterprises applies to the affiliated enterprises of trusts with the exceptions contained in Paragraphs 12 and 13, below.

Paragraph 12

1. Relative to the organization, merger, or dissolution of enterprises affiliated with trusts operating under the jurisdiction of a minister, authority is vested in:

a. The Economic Council over enterprises which perform the basic operations of a trust, as well as over enterprises which employ over 250 workers.

b. The appropriate minister, on the recommendation of the administrator of the trust and with the concurrence of the Minister of Finance and the president of the National Planning Office, over enterprises other than those mentioned under a above.

2. If the number of workers in an enterprise under b above exceeds ten, and the enterprise would, because of the nature of its operations, not normally be subject to the jurisdiction of the minister who supervises the trust, organization, merger, or dissolution is the responsibility of the minister having jurisdiction over the operations of the enterprise.

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3. The organization, merger, or dissolution of enterprises affiliated with a trust supervised by a local council is subject to the resolution of the county council or the Budapest City Council and the consent of the appropriate minister.

4. In the building industry, organization, merger, or dissolution of an enterprise affiliated with a trust operating under the jurisdiction of a minister is the responsibility of the appropriate minister with the concurrence of the Minister of Finance and the president of the National Planning Office. Organization, merger, or dissolution of building enterprises affiliated with a trust operating under the jurisdiction of a local council is subject to the resolution of the county council or the Budapest City Council with the consent of the appropriate minister.

Paragraph 13

Affiliation of an enterprise with a trust and transfer of an affiliated enterprise to the immediate jurisdiction of a supervisory agency; or from one trust to another, are the responsibility of the appropriate minister with the concurrence of the Minister of Finance and the president of the National Planning Office.

Paragraph 14

1. The director, chief engineer, and chief accountant of an enterprise affiliated with a trust are appointed and relieved by the supervisory agency. The supervisory agency may delegate this right, in part or in its entirety, to the administrator of the trust.

2. Suspension, disciplinary transfer, or immediate dismissal of the director of an enterprise affiliated with a trust is the responsibility of the head of the agency which has jurisdiction over the appointment of the director. Disciplinary action against chief engineers and chief accountants is governed by special regulations.

III. RELATIONSHIP BETWEEN THE TRUST AND ITS AFFILIATED ENTERPRISES

Paragraph 15

The organization, legal, and accounting independence of an enterprise affiliated with a trust is not affected by the affiliation.

Paragraph 16

The trust is responsible as simple guarantor for the obligations of the enterprises affiliated with it.

Paragraph 17

1. Plans for its own operations, as well as for the operations of the affiliated enterprises, are prepared by the trust on the basis of the directives of the appropriate minister. Regulations on the preparation and approval of plans are issued by the National Planning Office on the basis of the resolution of the Economic Council.

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2. Enterprises affiliated with a trust prepare independent plans on the basis of directives issued by the trust. The plans of the enterprises are approved by the trust on the basis of its own approved plan.

3. The trust is authorized to modify the monthly plans of its enterprises, provided the modifications do not affect the scope of the trust's own plan for the quarter.

Paragraph 18

The financial plans for the affiliated enterprises, as well as for its own operations, are prepared by the trust. Regulations for the preparation and approval of financial plans are issued by the Minister of Finance on the basis of the resolution of the Economic Council.

Paragraph 19

Reserves are placed at the disposal of the trust by the supervisory agency from the latter's own financial resources. The reserves serve to meet justified financial requirements which arise in the ordinary course of business but are not included in the financial plans of the affiliated enterprises.

Paragraph 20

1. Enterprises affiliated with a trust have their own fixed as well as working capital. Working capital is allotted to the affiliated enterprises through the distribution of the working capital of the trust.

2. The fixed capital of the enterprises may be regrouped by the trust. However, if the productive capacity or the production program of the enterprise is decisively affected by the regrouping, authorization must be obtained from the appropriate minister with the concurrence of the Minister of Finance and the president of the National Planning Office.

3. The working capital of the enterprises may be regrouped by the trust without any restriction.

4. The regrouping of credits among the affiliated enterprises is effected by the Hungarian National Bank within the limits of the line of credit granted to, and the reserves owned by, the trust. If the regrouping does not serve credit objectives of identical nature, the bank may refuse to effect it. Moreover, applications for credit are examined by the bank singly and within the combined limits.

Paragraph 21

1. The accounting of enterprises affiliated with trusts is conducted in accordance with the general regulations applicable to state enterprises.

2. The trust keeps combined records on the basis of the operating statements of the affiliated enterprises and separate accounts for its own operations. Records must also be kept by the trust showing its own operating results combined with those of the affiliated enterprises.

3. Detailed regulations relative to the accounting procedure of the trusts will be issued by the Minister of Finance.

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Paragraph 22

The trust may enter into transportation contracts on behalf of its enterprises. If the trust is required to pay a penalty on the strength of a transportation contract, the money must be refunded to the trust by the enterprise whose fault resulted in the penalty.

Paragraph 23

The operating expenditures of the trust are borne by the affiliated enterprises in proportion to their production or turnover. Expenditures are apportioned among the enterprises quarterly.

Paragraph 24

1. Detailed regulations concerning the operations of trusts and, especially, the relationship between the trusts and affiliated enterprises are issued by the Economic Council. The Economic Council is authorized to issue special regulations for construction-industry and nonindustrial trusts.

2. Pending issuance of further orders by the Economic Council, the organization of trusts operating under the jurisdiction of local councils requires the approval of the Economic Council.

(Signed) Istvan Dobi, President, Council of Ministers

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